

**REPORT OF THE AUDIT OF THE
MEADE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MEADE COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Meade County Fiscal Court for fiscal year ended June 30, 2004. We have issued an unqualified opinion on the governmental activities, business-type activities, and each major fund. We have issued a qualified opinion on the discretely presented component unit since its financial statements were prepared in accordance with generally accepted accounting principles, which is inconsistent with the modified cash basis used by Meade County.

We did not audit the financial statements of the Meade County Solid Waste Department, a discretely presented component unit. Other auditors audited those financial statements, and our opinion, insofar as it relates to the amounts included for the Meade County Solid Waste Department, is based on the report of the other auditors.

Financial Condition:

The fiscal court had net assets of \$8,819,743 as of June 30, 2004. The fiscal court had unrestricted net assets of \$4,336,299 in its governmental funds as of June 30, 2004, with total net assets of \$8,795,057. In its enterprise fund, total net cash and cash equivalents were \$24,686 with total net assets of \$24,686. The fiscal court's discretely presented component unit had net assets of \$186,674 as of June 30, 2004. The discretely presented component unit had cash and cash equivalents of \$277,703. The fiscal court had total debt principal as of June 30, 2004 of \$6,976,412 with \$363,533 due within the next year. The discretely presented component unit had total debt principal as of June 30, 2004 of \$677,285 with \$129,727 due within the next year.

Report Comment:

- Fiscal Court Should Require Improved Accounting Procedures For The Jail Canteen Fund

Deposits:

As of June 30, 2004, \$129,224 of the fiscal court's deposits were uninsured and uncollateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable William B. Haynes, Meade County Judge/Executive
Members of the Meade County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Meade County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Meade County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Meade County Solid Waste Department, a discretely presented component unit, which represents 100 percent of the assets and revenues of the discretely presented component opinion unit. Other auditors whose report thereon has been furnished to us audited those financial statements, and our opinion, insofar as it relates to the amounts included for the Meade County Solid Waste Department, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Meade County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. However, the financial statements of the Meade County Solid Waste Department, a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Meade County, Kentucky, uses to prepare its financial statements.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
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Members of the Meade County Fiscal Court

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Meade County Solid Waste Department financial statements been prepared using the modified cash basis of accounting as Meade County, Kentucky, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of Meade County, Kentucky, as of June 30, 2004, and the changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Meade County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2005 on our consideration of Meade County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of comments and recommendations, included herein, which discusses the following report comment:

- Fiscal Court Should Require Improved Accounting Procedures For The Jail Canteen Fund

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
September 13, 2005

MEADE COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

William B. Haynes	County Judge/Executive
James Anthony Staples	Magistrate
Herbert Chism II	Magistrate
Donald E. Callecod	Magistrate
Ronnie L. Greenwell	Magistrate
Harold E. Davidson	Magistrate
Kent Allen	Magistrate

Other Elected Officials:

Darren Sipes	County Attorney
Troy Seelye	Jailer
Katrina Fitzgerald	County Clerk
Evelyn D. Medley	Circuit Court Clerk
Cliff Wise	Sheriff
Mark Straney	Property Valuation Administrator
Bill Adams	Coroner

Appointed Personnel:

Shirley Fackler	County Treasurer
Anna Roberts	Payroll Officer
Mandy Swink	Finance Officer



Magistrates:
James A. Staples
Herbert Chism II
Donald Callecod
Ronnie Greenwell
Harold Davidson
Kent Allen

WILLIAM B. HAYNES
Meade County Judge/Executive

516 FAIRWAY DRIVE
BRANDENBURG, KENTUCKY 40108

(270) 422-3967
FAX (270) 422-3262

Deputy Judge/Executive
Anna Roberts

Treasurer
Shirley Fackler

MEADE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

The financial management of Meade County, Kentucky offers readers of Meade County's financial statements this narrative overview and analysis of the financial activities of Meade County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights

- Meade County had net assets of \$8,819,743 as of June 30, 2004. The fiscal court had unrestricted net assets of \$4,336,299 in its governmental funds as of June 30, 2004. In its enterprise fund, cash and cash equivalents were \$24,686, which also equaled total assets. Total debt principal as of June 30, 2004 was \$6,976,412 with \$363,533 due within in one year.
- The government's total net assets increased by \$1,574,512 from the prior year.
- At the close of the current fiscal year, Meade County balance sheet reported a fund balance of \$5,389,324. Of this amount, \$4,137,860 is available for spending at the government's discretion (unreserved fund balance).
- Meade County's total indebtedness at the close of fiscal year June 30, 2004 was \$6,976,412 of which \$6,612,879 is long-term debt (due after 1 year) and \$363,533 is short-term debt (to be paid within 1 year).
- Meade County received a Homeland Security Grant in the amount of \$90,323 for equipment for implementation of the Emergency 911 system.
- Meade County received an Ambulance Grant to purchase a new ambulance. The total cost of the new ambulance was \$76,341.
- Meade County Jail Fund received a Litter Abatement Grant of \$19,025 for clean county pick-up. This allowed for inmates to pick up litter along roadsides.

**Meade County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Meade County's basic financial statements. Meade County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expense by function. This is the first year of implementation and these schedules will be presented next year.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Meade County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information of all of Meade County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Meade County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Meade County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has one business type activity – the operation of a jail canteen.

**Meade County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Government-wide Financial Statements (Continued)

The government-wide financial statements include not only Meade County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Meade County has one such entity, the Meade County Solid Waste Department. It is known as a component unit.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Meade County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Meade County can be divided into two broad categories: *governmental funds* and *proprietary funds*.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Meade County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, Local Government Economic Assistance Fund, Jail Bond Proceeds Fund, and Jail Construction Fund all of which are considered major funds by the County.

Meade County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds

Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Meade County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Government-wide Financial Analysis

Net Assets

As noted earlier, net asset may serve over time as a useful indicator of a government's financial position.

Changes in Net Assets

Governmental Activities

Meade County's net assets increased by \$1,574,512 in fiscal year 2004.

Key elements of this are as follows:

- Current assets and cash increased by \$1,399,592
- Notes Receivable decreased by \$62,256
- Investments in capital assets, net of related debt increased \$81,658
- Long-term liabilities decreased by \$155,518
- Program Revenues were \$3,566,913 for the Primary Government; Business-type Activities \$132,233; and the Component Unit \$1,150,355. General Revenues were \$3,137,932 for a total of \$7,987,433 as reflected in the Statement of Activities.
- Expenditures totaled \$5,130,333 for the Primary Government; Business-type Activities \$116,140; and the Component Units \$1,236,718 as reflected in the Statement of Activities.

Financial Analysis of the County's Funds

As noted earlier, Meade County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview

The focus on Meade County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved funds balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 30, 2004 fiscal year, the combined ending fund balance of County governmental funds was \$5,389,324. Approximately 77% (\$4,137,860) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purpose of the specific funds. The remainder of fund balance (\$1,251,464) is reserved to indicate that it is not available for new spending because it is committed.

**Meade County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds (Continued)

Governmental Funds Overview (Continued)

The County has 6 major governmental funds. These are 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Local Government Economic Assistance Fund; 5) Jail Bond Proceeds Fund; 6) Jail Construction Fund.

1. The General Fund is the chief operating fund of Meade County. At the end of June 30, 2004 fiscal year, unreserved fund balance was \$3,094,888. The County received \$2,553,285 from tax revenues. This accounts for approximately 64% of the General Fund revenue.
2. The Road fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$825,939 in fund balance at June 30, 2004. The fund balance at the end of the previous year was \$496,001. The fiscal year 2004 expenditures for road projects were \$848,560.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2004 of \$143,535. That is an increase in fund balance of \$47,593 over the previous fiscal year end. The Jail Fund received \$1,014,167 from intergovernmental sources.
4. The Local Government Economic Assistance Fund had a fund balance of \$480,347 at June 30, 2004. This is an increase of \$166,272 over the previous fiscal year end.
5. The Jail Bond Proceeds Fund is used for payment of principal and interest to bond holders. In addition, \$480,000 was transferred from the Jail Construction Fund.
6. The Jail Construction Fund is used to account for the construction cost of the jail.

Proprietary Funds Overview

The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Meade County has one enterprise fund, the Jail Canteen Fund. The Jail Canteen Fund had net assets and a cash balance of \$24,686 as of June 30, 2004.

General Fund Budgetary Highlights

The County's original budget was amended during the fiscal year increasing the operating budget by \$220,773. Budget amendments were for the receipt of grant funds of \$90,323 for Homeland Security, \$125,000 grant from the Transportation Department for asphalt for roads, and \$5,450 state grant for Fire & Rescue equipment. The Road Fund budget was amended for the \$125,000 grant, however, the project was not completed until the 2005 fiscal year.

Actual operating revenues were \$1,034,065 more than originally budgeted by Fiscal Court.

Actual operating expenditures were \$1,772,300 less than originally budgeted by Fiscal Court.

**Meade County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds (Continued)

Capital Assets and Debt Administration

Capital Assets

Meade County's investment in capital assets for its government activities as of June 30, 2004, amounts to \$9,510,733 (net of accumulated depreciation). This investment in capital assets includes, land, buildings, improvements to land and buildings, equipment, vehicles, and current year infrastructure assets per GASB 34 provisions.

Additional information on the County's capital assets can be found in Note 4 of this report.

Long-Term Debt

At the end of the 2004 fiscal year, Meade County had total long-term debt outstanding of \$6,976,412. The amount of this debt due within the next year is \$363,533 and \$6,612,879 is due in subsequent years. This debt is for Jail Construction. This debt is described in Note 6 of the notes to the financial statements.

Other Matters

The following factor is expected to have an effect on the County's financial position or results of operations and was taken into account in developing the 2005 Budget.

- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs since payments for the detention center are transferred from the General Fund. The Fiscal Court has not made a decision whether to alter the operations or funding of County operations impacted by State revenue shortfalls.

Requests for Information

This financial report is designed to provide a general overview of Meade County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this requests for additional financial information should be addressed to:

**Meade County Treasurer
Shirley Fackler
516 Fairway Drive
Brandenburg, KY 40108**

MEADE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

MEADE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

	June 30, 2004			Component
	Primary Government			Unit
	Governmental	Business-Type	Totals	Meade County
	Activities	Activities		Solid Waste
				Department
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 5,389,324	\$ 24,686	\$ 5,414,010	\$ 277,703
Notes Receivable	63,533		63,533	
Accounts Receivable				38,467
Prepaid Insurance				4,581
Total Current Assets	<u>5,452,857</u>	<u>24,686</u>	<u>5,477,543</u>	<u>320,751</u>
Noncurrent Assets:				
Notes Receivable	807,879		807,879	
Capital Assets -				
Land and Land Improvements	149,741		149,741	16,207
Buildings	7,879,927		7,879,927	71,436
Building Improvements	30,451		30,451	56,886
Vehicles	591,047		591,047	657,896
Equipment	513,779		513,779	213,094
Office Equipment				33,538
Fence				9,437
Rock				6,270
Storage Buildings				55,103
Containers				103,479
Sewer Connection				750
Infrastructure	345,788		345,788	
Less: Accumulated Depreciation				(680,888)
Total Noncurrent Assets	<u>10,318,612</u>	<u></u>	<u>10,318,612</u>	<u>543,208</u>
Total Assets	<u>15,771,469</u>	<u>24,686</u>	<u>15,796,155</u>	<u>863,959</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable				29,854
Payroll Liabilities				15,081
Accrued Retirement				1,125
Note Payable-Current Portion				83,667
General Obligation Bonds Payable	220,000		220,000	
Revenue Bonds Payable	80,000		80,000	
Financing Obligations Payable	63,533		63,533	
Total Current Liabilities	<u>363,533</u>	<u></u>	<u>363,533</u>	<u>129,727</u>
Noncurrent Liabilities:				
Note Payable-Fiscal Court				9,864
Note Payable-KIA				226,694
Note Payable-KA CoLT				311,000
General Obligation Bonds Payable	4,700,000		4,700,000	
Revenue Bonds Payable	1,105,000		1,105,000	
Financing Obligations Payable	807,879		807,879	
Total Noncurrent Liabilities	<u>6,612,879</u>	<u></u>	<u>6,612,879</u>	<u>547,558</u>
Total Liabilities	<u>6,976,412</u>	<u></u>	<u>6,976,412</u>	<u>677,285</u>

The accompanying notes are an integral part of the financial statements.

MEADE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2004
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Meade County Solid Waste Department
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	\$ 3,342,200	\$	\$ 3,342,200	\$ (134,077)
Restricted For:				
Debt Service	908,148		908,148	
Grant Projects	208,410		208,410	
Unrestricted	4,336,299	24,686	4,360,985	320,751
Total Net Assets	<u>\$ 8,795,057</u>	<u>\$ 24,686</u>	<u>\$ 8,819,743</u>	<u>\$ 186,674</u>

The accompanying notes are an integral part of the financial statements.

MEADE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

MEADE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,921,734	\$ 91,600	\$ 158,464	\$ 1,331
Protection to Persons and Property	1,949,124	1,484,223	554,723	
General Health and Sanitation	107,743	6,789		
Social Services	8,543		38,049	
Recreation and Culture	203,354	46,856		
Roads	656,346	56,346	1,103,986	9,800
Transportation Facilities and Services	8,546			
Bus Services	12,972		14,746	
Interest on Long Term Debt	261,971			
Total Governmental Activities	5,130,333	1,685,814	1,869,968	11,131
Business-type Activities:				
Jail Canteen Fund	116,140	132,233		
Total Business-type Activities	116,140	132,233		
Total Primary Government	\$ 5,246,473	\$ 1,818,047	\$ 1,869,968	\$ 11,131
Component Unit:				
Meade County Solid Waste Department	\$ 1,236,718	\$ 1,150,355		

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Gain on disposal of assets

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

MEADE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Disbursements) Receipts and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	Component Unit
\$ (1,670,339)	\$	\$ (1,670,339)	\$
89,822		89,822	
(100,954)		(100,954)	
29,506		29,506	
(156,498)		(156,498)	
513,786		513,786	
(8,546)		(8,546)	
1,774		1,774	
(261,971)		(261,971)	
(1,563,420)		(1,563,420)	
	16,093	16,093	
	16,093	16,093	
\$ (1,563,420)	\$ 16,093	\$ (1,547,327)	\$ 0
			\$ (86,363)
1,230,629		1,230,629	
253,708		253,708	
176,553		176,553	
892,395		892,395	
235,709		235,709	
69,739		69,739	2,334
279,199		279,199	18,163
			10,401
3,137,932		3,137,932	30,898
1,574,512	16,093	1,590,605	(55,465)
7,220,545	8,593	7,229,138	242,139
\$ 8,795,057	\$ 24,686	\$ 8,819,743	\$ 186,674

The accompanying notes are an integral part of the financial statements.

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MEADE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

MEADE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 3,094,888	\$ 825,939	\$ 143,535	\$ 480,347
Total Assets	<u>\$ 3,094,888</u>	<u>\$ 825,939</u>	<u>\$ 143,535</u>	<u>\$ 480,347</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$ 39,176	\$ 152,506	\$ 5,909	\$ 848
General Fund	208,410			
Debt Service Fund				
Unreserved:				
General Fund	2,847,302			
Special Revenue Funds		673,433	137,626	479,499
Total Fund Balances	<u>\$ 3,094,888</u>	<u>\$ 825,939</u>	<u>\$ 143,535</u>	<u>\$ 480,347</u>

The accompanying notes are an integral part of the financial statements.

MEADE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2004
(Continued)

Jail Bond Proceeds Fund	Jail Construction Fund	Total Governmental Funds
<u>\$ 844,615</u>	<u>\$</u>	<u>\$ 5,389,324</u>
<u><u>\$ 844,615</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 5,389,324</u></u>
\$	\$	\$ 198,439
		208,410
844,615		844,615
		2,847,302
		<u>1,290,558</u>
<u><u>\$ 844,615</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 5,389,324</u></u>

The accompanying notes are an integral part of the financial statements.

MEADE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2004
(Continued)

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 5,389,324
Amounts reported for governmental activities in the statement of net assets are different because:	
Notes receivable used in governmental activities are not financial resources	871,412
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,426,046
Accumulated Depreciation	(2,915,313)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
General Obligation Bonds	(4,920,000)
Revenue Bonds	(1,185,000)
Financing Obligations	<u>(871,412)</u>
Net Assets Of Governmental Activities	<u>\$ 8,795,057</u>

MEADE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

MEADE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>
REVENUES				
Taxes	\$ 2,553,285	\$	\$	\$
Excess Fees	235,709			
Licenses and Permits	90,090			
Intergovernmental	183,626	1,108,673	1,014,167	421,546
Charges for Services	605,826	56,346	49,955	
Miscellaneous	283,734	5,539	88,861	5
Interest	43,614	7,940	1,174	7,086
Total Revenues	<u>3,995,884</u>	<u>1,178,498</u>	<u>1,154,157</u>	<u>428,637</u>
EXPENDITURES				
General Government	987,823		7,521	
Protection to Persons and Property	814,638		925,958	231,608
General Health and Sanitation	74,618			
Social Services	8,543			
Recreation and Culture	181,191			7,356
Roads		738,224		
Transportation Facilities and Services		8,546		
Bus Services	12,972			
Debt Service	293,091	3,500	5,705	
Administration	661,951	98,290	167,380	23,401
Total Expenditures	<u>3,034,827</u>	<u>848,560</u>	<u>1,106,564</u>	<u>262,365</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>961,057</u>	<u>329,938</u>	<u>47,593</u>	<u>166,272</u>
Other Financing Sources (Uses)				
Transfers From Other Funds				
Transfers To Other Funds	(450,193)			
Total Other Financing Sources (Uses)	<u>(450,193)</u>			
Net Change in Fund Balances	510,864	329,938	47,593	166,272
Fund Balances - Beginning (restated)	2,584,024	496,001	95,942	314,075
Fund Balances - Ending	<u>\$ 3,094,888</u>	<u>\$ 825,939</u>	<u>\$ 143,535</u>	<u>\$ 480,347</u>

The accompanying notes are an integral part of the financial statements.

MEADE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Jail Bond Proceeds Fund	Jail Construction Fund	Total Governmental Funds
\$	\$	\$ 2,553,285
		235,709
		90,090
		2,728,012
		712,127
		378,139
9,925		69,739
<u>9,925</u>		<u>6,767,101</u>
		995,344
		1,972,204
		74,618
		8,543
		188,547
		738,224
		8,546
		12,972
115,193		417,489
		951,022
<u>115,193</u>		<u>5,367,509</u>
<u>(105,268)</u>		<u>1,399,592</u>
934,141		934,141
	(483,948)	(934,141)
<u>934,141</u>	<u>(483,948)</u>	
828,873	(483,948)	1,399,592
15,742	483,948	3,989,732
<u>\$ 844,615</u>	<u>\$ 0</u>	<u>\$ 5,389,324</u>

The accompanying notes are an integral part of the financial statements.

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**MEADE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

**MEADE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 1,399,592
--	--------------

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets are allocated over their
estimated useful lives and reported as depreciation expense.

Capital outlay	440,415
Depreciation expense	(358,757)

Change in notes receivable as a result of payment on debt by the Meade County Solid Waste District and Meade County Water District	(62,256)
---	----------

Financing obligations and bond principal payments are expensed in the Governmental Funds
as a use of current financial resources. However, these amounts decrease non-current
liabilities on the statement of net assets and have been eliminated on the statement of activities

Financing Obligations	80,518
Revenue Bonds	<u>75,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 1,574,512</u></u>
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MEADE COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

MEADE COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

	Business-Type Activities - Enterprise Fund	Jail Canteen Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 24,686	
Total Current Assets	<u>24,686</u>	
Net Assets		
Unrestricted	24,686	
Total Net Assets	<u><u>\$ 24,686</u></u>	

The accompanying notes are an integral part of the financial statements.

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MEADE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

MEADE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Revenues	\$ 132,233
Total Operating Revenues	<u>132,233</u>
Operating Expenses	
Cost of goods sold and other expenses	<u>116,140</u>
Total Operating Expenses	<u>116,140</u>
Operating Income	<u>16,093</u>
Change In Net Assets	16,093
Total Net Assets - Beginning	<u>8,593</u>
Total Net Assets - Ending	<u><u>\$ 24,686</u></u>

The accompanying notes are an integral part of the financial statements.

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MEADE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

MEADE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Canteen receipts	\$ 132,233
Cost of goods sold and other expenses	<u>(116,140)</u>
Net Cash Provided By Operating Activities	<u>16,093</u>
Net Increase (Decrease) in Cash and Cash Equivalents	16,093
Cash and Cash Equivalents - July 1, 2003	<u>8,593</u>
Cash and Cash Equivalents - June 30, 2004	<u><u>\$ 24,686</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	<u>\$ 16,093</u>
Net Cash Provided By Operating Activities	<u><u>\$ 16,093</u></u>

The accompanying notes are an integral part of the financial statements.

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MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, financial statements of the Meade County Solid Waste Department, a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Meade County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Discretely Presented Component Units

The component units' columns in the combined financial statements include the data of the following organizations. They are reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Units" to emphasize these organizations' separateness from the fiscal court's primary government.

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Meade County Solid Waste Department

The Meade County Solid Waste Department (Department) was created and exists pursuant to the provisions of Kentucky Revised Statutes 109 and by the Fiscal Court. The Department was created with the mission to provide garbage collection of solid waste in Meade County. The Fiscal Court appoints a majority of the Department's board and the Department was deemed a component unit of Meade County Fiscal Court. The Department is included as a discretely presented component unit on Meade County's financial statements and was audited by other auditors.

Meade County Riverport Authority

The Meade County Riverport Authority was created to bring businesses to Meade County along the Ohio River. The Authority had no assets or activity on its own in fiscal year 2004.

C. Meade County Constitutional Elected Officials Not Part Of Meade County, Kentucky

The Kentucky constitution provides for election of the officials below from the geographic area constituting Meade County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Meade County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The government-wide statements are reported using the economic resources measurement focus and the modified cash basis of accounting, as do the proprietary and fiduciary fund financial statements. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

LGEA Fund - The purpose of this fund is to account for funds received from the state for mineral severance taxes and E-911 service collections. The funds are primarily are used primarily for public safety.

Jail Bond Proceeds Fund - The purpose of this fund is to account for debt service requirements of general obligation bonds of the fiscal court.

Jail Construction Fund- The purpose of this fund was to account for the construction of the Meade County Detention Center.

Special Revenue Funds:

The Road Fund, Jail Fund, and Local Government Economic Assistance Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Jail Construction Bond Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund:

The Jail Bond Proceeds Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessments, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Funds

All proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings and Building Improvements	\$ 5,000	3-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, is reported as expenditures. Debt proceeds are reported as other financing sources.

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

J. Related Organizations and Joint Venture

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Meade County Fiscal Court: Meade County Tourism Commission, Meade County Water District, Meade County Planning and Zoning, Meade County Fire Department, Meade County Conservation District, and the Meade County Library District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Meade County Fiscal Court: Meade County Industrial Authority.

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. However, as of June 30, 2004, the collateral and the FDIC insurance together did not equal or exceed the amount on deposit, leaving \$129,224 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2004.

Primary Government:

	<u>Bank Balance</u>
FDIC Insured	\$ 400,000
Collateralized with securities held by the county's agent in the county's name	4,962,620
Uncollateralized and uninsured	<u>129,224</u>
Total	<u><u>\$ 5,491,844</u></u>

Note 3. Operating Leases

The fiscal court entered into a lease agreement for an old state highway garage building and land to be used by various county departments. The total expense related to these leases was \$3,500 for the fiscal year ended June 30, 2004. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2005	\$ 3,500
2006	3,500
2007	3,500
2008	3,500
2009	3,500
2010	<u>3,500</u>
Total Minimum Lease Payments	<u><u>\$ 21,000</u></u>

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 115,551	\$	\$	\$ 115,551
Construction In Progress	272,885	9,800	(282,685)	
Total Capital Assets Not Being Depreciated	388,436	9,800	(282,685)	115,551
Capital Assets, Being Depreciated:				
Buildings	9,651,627			9,651,627
Building Improvements		31,720		31,720
Land Improvements	196,353			196,353
Equipment	686,152	84,635		770,787
Vehicles	1,063,063	207,258		1,270,321
Infrastructure		389,687		389,687
Total Capital Assets Being Depreciated	11,597,195	713,300		12,310,495
Less Accumulated Depreciation For:				
Buildings	(1,605,269)	(166,431)		(1,771,700)
Building Improvements		(1,269)		(1,269)
Land Improvements	(161,374)	(789)		(162,163)
Equipment	(229,091)	(27,917)		(257,008)
Vehicles	(560,822)	(118,452)		(679,274)
Infrastructure		(43,899)		(43,899)
Total Accumulated Depreciation	(2,556,556)	(358,757)		(2,915,313)
Total Capital Assets, Being Depreciated, Net	9,040,639	354,543		9,395,182
Governmental Activities Capital Assets, Net	\$ 9,429,075	\$ 364,343	\$ (282,685)	\$ 9,510,733

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 34,406
Protection to Persons and Property	181,389
General Health and Sanitation	33,125
Recreation and Culture	14,807
Roads, Including Depreciation of General Infrastructure Assets	<u>95,030</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 358,757</u>

Note 5. Short-term Debt

During the fiscal year the fiscal court participated in the Advance Revenue Program, sponsored by the Kentucky Association of Counties. The fiscal court borrowed \$985,700 from July 1, 2003 until January 30, 2004, at an interest rate of 1.10%. The fiscal court repaid the principal of \$985,700 and interest of \$6,295 on January 30, 2004.

Note 6. Long-term Debt

A. General Obligation Bonds, Series 1999

Meade County Fiscal Court issued general obligation bonds of \$5,330,000, series 1999, dated July 1, 1999, to finance the construction of the new detention facility. These bonds were issued at varying interest rates ranging from 3.9% to 4.9%, and will be retired by July 1, 2019. Interest payments are due on January 1 and interest and principal July 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 220,000	\$ 225,875
2006	230,000	216,535
2007	240,000	206,545
2008	245,000	196,056
2009	255,000	185,118
2010-2014	1,465,000	734,580
2015-2019	1,840,000	338,100
2020	<u>425,000</u>	<u>10,413</u>
Totals	<u>\$ 4,920,000</u>	<u>\$ 2,113,222</u>

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 6. Long-term Debt (Continued)

B. Health Care Facility Revenue Bonds, Series 1995

Meade County Fiscal County issued health care facility revenue bonds, series 1995, dated February 1, 1995, to fund the construction of a health care facility to operated by JH Properties, Inc. JH Properties makes the principal and interest payments in lieu of rent, to the bond trustee. These bonds were issued at an interest rate of 6.49%, and will be retired by October 1, 2014. Interest payments are due on April 1; interest and principal October 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 80,000	\$ 74,310
2006	80,000	69,118
2007	90,000	63,602
2008	90,000	57,761
2009	100,000	51,595
2010-2014	600,000	149,638
2015	145,000	4,705
Totals	<u>\$ 1,185,000</u>	<u>\$ 470,729</u>

C. Solid Waste Department - Financing Obligations and Note Receivable

On February 11, 1997, the fiscal court on behalf of the Meade County Solid Waste Department entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$49,900 at an variable interest rate, for the acquisition of solid waste compactor, two roll-off dumpsters, and a forklift. The lease term is for 10 years with the balance to be paid in full on February 20, 2007. The Meade County Solid Waste Department makes the principal and interest payments to the fiscal court, which in turn pays the trustee. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 5,533	\$ 381
2006	5,825	214
2007	4,054	45
Totals	<u>\$ 15,412</u>	<u>\$ 640</u>

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 6. Long-term Debt (Continued)

D. Water District - Financing Obligations and Notes Receivable

1. Waterlines

On November 8, 1995, the fiscal court on behalf of the Meade County Water District entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$795,000 at 5.15%, for the construction of waterlines. The lease term is for 20 years with the balance to be paid in full on January 20, 2015. The Meade County Water District makes the principal and interest payments to the fiscal court, which in turn pays the trustee. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 38,000	\$ 32,735
2006	40,000	30,337
2007	42,000	30,008
2008	45,000	25,146
2009	47,000	22,316
2010-2014	272,000	64,194
2015	62,000	2,233
Totals	<u>\$ 546,000</u>	<u>\$ 206,969</u>

2. Building

On December 18, 2001, the fiscal court on behalf of the Meade County Water District entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$350,000 at 4.6%, for the construction of a building. The lease term is for 15 years with the balance to be paid in full on January 20, 2016. The Meade County Water District makes the principal and interest payments to the fiscal court, which in turn pays the trustee. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 20,000	\$ 17,535
2006	20,000	15,158
2007	20,000	15,203
2008	25,000	12,893
2009	25,000	11,548
2010-2014	140,000	36,414
2015-2016	60,000	3,498
Totals	<u>\$ 310,000</u>	<u>\$ 112,249</u>

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 6. Long-term Debt (Continued)

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 4,920,000	\$	\$	\$ 4,920,000	\$ 220,000
Revenue Bonds	1,260,000		75,000	1,185,000	80,000
Financing Obligations	951,930		80,518	871,412	63,533
Governmental Activities					
Long-term Liabilities	<u>\$ 7,131,930</u>	<u>\$ 0</u>	<u>\$ 155,518</u>	<u>\$ 6,976,412</u>	<u>\$ 363,533</u>

Note 7. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$53,083 in interest on financing obligations and \$194,533 in interest on bonds.

Note 8. Employee Retirement System

The fiscal court and the Meade County Solid Waste Department, a discretely presented component unit, have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

MEADE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 9. Deferred Compensation

The Meade County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. That report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502-) 573-7925.

Note 10. Insurance

For the fiscal year ended June 30, 2004, Meade County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Changes in Accounting Principles and Prior Period Adjustments

The county has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change is as follows:

	Governmental Activities	General Fund	Road Fund	Ambulance Fund	Park Fund	Jail Const Fund
Beginning Balance	\$ 3,908,918	\$ 2,467,523	\$ 485,740	\$ 42,497	\$ 7,399	\$ 480,000
Capital Assets (net of accumulated depreciation) previously omitted	9,429,075					
Notes Receivable previously omitted	933,668					
Long-Term Debt previously omitted	(7,131,930)					
Voided Checks	343	343				
Interest Received previously omitted	80,526	66,317	10,261			3,948
Ambulance & Park Funds Combined into General Fund		49,896		(42,497)	(7,399)	
Outstanding Check previously omitted	(55)	(55)				
Total Restated Beginning Balance	<u>\$ 7,220,545</u>	<u>\$ 2,584,024</u>	<u>\$ 496,001</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 483,948</u>

MEADE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

MEADE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,909,989	\$ 1,909,989	\$ 2,553,285	\$ 643,296
Excess Fees	124,518	124,518	235,709	111,191
Licenses and Permits	83,000	83,000	90,090	7,090
Intergovernmental Revenue	202,390	202,390	183,626	(18,764)
Charges for Services	488,800	488,800	605,826	117,026
Miscellaneous	119,377	119,377	129,394	10,017
Interest	33,000	33,000	43,614	10,614
Total Revenues	<u>2,961,074</u>	<u>2,961,074</u>	<u>3,841,544</u>	<u>880,470</u>
EXPENDITURES				
General Government	1,355,113	1,349,265	987,823	361,442
Protection to Persons and Property	885,600	893,050	814,638	78,412
General Health and Sanitation	94,182	95,826	74,618	21,208
Social Services	13,290	13,290	8,543	4,747
Recreation and Culture	157,565	204,765	181,191	23,574
Bus Services	28,000	28,000	12,972	15,028
Debt Service	191,691	191,691	138,751	52,940
Administration	847,088	796,642	661,951	134,691
Total Expenditures	<u>3,572,529</u>	<u>3,572,529</u>	<u>2,880,487</u>	<u>692,042</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(611,455)</u>	<u>(611,455)</u>	<u>961,057</u>	<u>1,572,512</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(703,385)	(703,385)	(450,193)	253,192
Total Other Financing Sources (Uses)	<u>(703,385)</u>	<u>(703,385)</u>	<u>(450,193)</u>	<u>253,192</u>
Net Changes in Fund Balance	(1,314,840)	(1,314,840)	510,864	1,825,704
Fund Balance - Beginning (restated)	<u>1,314,840</u>	<u>1,314,840</u>	<u>2,584,024</u>	<u>1,269,184</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,094,888</u>	<u>\$ 3,094,888</u>

MEADE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,041,565	\$ 1,166,565	\$ 1,108,673	\$ (57,892)
Charges for Services	58,000	58,000	56,346	(1,654)
Miscellaneous	2,000	2,000	5,539	3,539
Interest	10,000	10,000	7,940	(2,060)
Total Revenues	<u>1,111,565</u>	<u>1,236,565</u>	<u>1,178,498</u>	<u>(58,067)</u>
EXPENDITURES				
Roads	1,152,034	1,297,534	738,224	559,310
Transportation Facilities and Services	7,500	8,700	8,546	154
Debt Service	3,500	3,500	3,500	
Administration	172,538	150,838	98,290	52,548
Total Expenditures	<u>1,335,572</u>	<u>1,460,572</u>	<u>848,560</u>	<u>612,012</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(224,007)</u>	<u>(224,007)</u>	<u>329,938</u>	<u>553,945</u>
Net Changes in Fund Balance	(224,007)	(224,007)	329,938	553,945
Fund Balance - Beginning (restated)	<u>224,007</u>	<u>224,007</u>	<u>496,001</u>	<u>271,994</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 825,939</u>	<u>\$ 825,939</u>

MEADE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 907,099	\$ 907,099	\$ 1,014,167	\$ 107,068
Charges for Services	77,000	77,000	49,955	(27,045)
Miscellaneous	53,637	53,637	88,861	35,224
Interest	2,548	2,548	1,174	(1,374)
Total Revenues	<u>1,040,284</u>	<u>1,040,284</u>	<u>1,154,157</u>	<u>113,873</u>
EXPENDITURES				
General Government	5,000	7,600	7,521	79
Protection to Persons and Property	1,059,088	1,078,413	925,958	152,455
General Health and Sanitation	40,244	40,244	5,705	34,539
Administration	229,196	207,271	167,380	39,891
Total Expenditures	<u>1,333,528</u>	<u>1,333,528</u>	<u>1,106,564</u>	<u>226,964</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(293,244)</u>	<u>(293,244)</u>	<u>47,593</u>	<u>340,837</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>253,000</u>	<u>253,000</u>		<u>(253,000)</u>
Total Other Financing Sources (Uses)	<u>253,000</u>	<u>253,000</u>		<u>(253,000)</u>
Net Changes in Fund Balance	<u>(40,244)</u>	<u>(40,244)</u>	<u>47,593</u>	<u>87,837</u>
Fund Balance - Beginning	<u>40,244</u>	<u>40,244</u>	<u>95,942</u>	<u>55,698</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 143,535</u>	<u>\$ 143,535</u>

MEADE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	LGEA FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 222,000	\$ 317,773	\$ 421,546	\$ 103,773
Miscellaneous			5	5
Interest	3,000	3,000	7,086	4,086
Total Revenues	<u>225,000</u>	<u>320,773</u>	<u>428,637</u>	<u>107,864</u>
EXPENDITURES				
Protection to Persons and Property	217,500	332,873	231,608	101,265
Recreation and Culture	26,000	26,000	7,356	18,644
Administration	49,000	29,400	23,401	5,999
Total Expenditures	<u>292,500</u>	<u>388,273</u>	<u>262,365</u>	<u>125,908</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(67,500)</u>	<u>(67,500)</u>	<u>166,272</u>	<u>233,772</u>
Net Changes in Fund Balances	(67,500)	(67,500)	166,272	233,772
Fund Balances - Beginning	<u>67,500</u>	<u>67,500</u>	<u>314,075</u>	<u>246,575</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 480,347</u>	<u>\$ 480,347</u>

MEADE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

JAIL BOND PROCEEDS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 20,000	\$ 20,000	\$ 9,925	\$ (10,075)
Total Revenues	20,000	20,000	9,925	(10,075)
EXPENDITURES				
Debt Services	470,385	470,385	115,193	355,192
Total Expenditures	470,385	470,385	115,193	355,192
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(450,385)	(450,385)	(105,268)	345,117
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	450,385	450,385	934,141	483,756
Total Other Financing Sources (Uses)	450,385	450,385	934,141	483,756
Net Changes in Fund Balances			828,873	828,873
Fund Balances - Beginning			15,742	15,742
Fund Balances - Ending	\$ 0	\$ 0	\$ 844,615	\$ 844,615

MEADE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**MEADE COUNTY
COMMENT AND RECOMENDATION**

For The Year Ended June 30, 2004

**MEADE COUNTY
COMMENT AND RECOMENDATION**

Fiscal Year Ended June 30, 2004

STATE LAWS AND REGULATIONS

Fiscal Court Should Require Improved Accounting Procedures For The Jail Canteen Fund

Our audit revealed that required financial reports and accounting records were not maintained for the jail canteen fund. Specifically, a receipts and disbursement journal needs to be maintained, monthly reports required by the Governor's Office for Local Development (formerly DLG) need to be submitted, and an annual report needs to be submitted to the county treasurer. In addition, the jail canteen bank account was not reconciled to the receipts and disbursements journal on a monthly basis. KRS 441.135 states, "...the jailer shall keep books of accounts of all receipted and disbursements from the canteen and shall annually report to the county treasurer on the canteen account." The State Local Finance Officer has issued guidelines for minimum accounting and reporting standards pursuant to KRS 68.210 and KRS 441.135 for the jail canteen fund. We recommend the fiscal court require the jailer to maintain improved accounting records for the jail canteen fund, including monthly bank reconciliations, and prepare and submit the required financial reports.

County Judge's Response: Have discussed with Jailer to provide monthly income and expense reports and reconciled monthly bank statements for the County Treasurer to review to ensure compliance.

County Jailer's Response: Effective May 25, 2005 the detention center installed a new computer and records system exclusively for the administration of the jail canteen fund. Using this system the canteen administrator is able to maintain and to provide the required financial reports and accounting records. Also the detention center has contracted with the Keefe Commissary Network to provide commissary services.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS

Fiscal Court Should Require Improved Accounting Procedures For the Jail Canteen Fund

This has not been corrected and is repeated in this report.

County Judge's Response: Have discussed with Jailer to provide monthly income and expense reports and reconciled monthly bank statements for the County Treasurer to review to ensure compliance.

County Jailer's Response: None

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable William B. Haynes, Meade County Judge/Executive
Members of the Meade County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Meade County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated September 13, 2005. Meade County presents its financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Meade County Solid Waste Department, a discretely presented component unit, was tested for compliance and internal control requirements in accordance with Government Auditing Standards by other auditors, whose report has been furnished to us. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Meade County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meade County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- Fiscal Court Should Require Improved Accounting Procedures For The Jail Canteen Fund

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, cursive script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
September 13, 2005

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

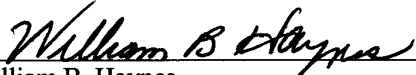
MEADE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MEADE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Meade County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



William B. Haynes
County Judge/Executive



Shirley Fackler
County Treasurer